

DIKGATLONG MUNICIPALITY



BARKLY WEST

DIKGATLONG MUNICIPALITY ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

Cllr WM Mogongwa	Mayor
Cllr DD Mbizeni	Member
Cllr SS Khoza	Member
Cllr ME Kleinjan	Member
Cllr OG Riet	Member
Cllr K Rifles	Member
Cllr MJ Hendricks	Member
Cllr ML Stephens	Member
Cllr DP Papers	Member
Cllr NG Witkoei	Member
Cllr S Witkoei	Member
Cllr ME Motsamai	Member
Cllr J Mweninjawa	Member

Municipal Manager

MH Robertson

Chief Financial Officer

P Wakelin

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First National Bank

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information (continued)

Registered Office: Barkly West

Physical address:

Dikgatlong Municipality
33 Campbell Street
Barkly West
8345

Postal address:

Dikgatlong Municipality
Private Bag X5030
Barkly West
8300

Telephone number: 053 - 531 0671

Fax number: 053 - 531 0624

E-mail address:

**DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2012

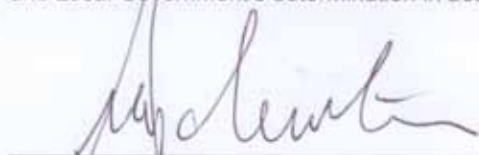
	Note	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	1	5 947 983	4 885 259
Trade and other receivables from exchange transactions	2	75 727 668	43 882 861
Other receivables from non-exchange transactions	3	149 951	-
Investments	5	46 445 178	29 242 251
VAT receivable	11	5 287 575	125 394
Non-current assets			
Property, plant and equipment	7	521 791 925	-
Intangible assets	8	53 093	-
Total assets		655 403 373	78 135 765
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	1 820 326	12 974 577
Consumer deposits	10	-	50 123
Current provisions	12	-	888 491
Unspent conditional grants and receipts	13	-	32 210 894
Non-current liabilities			
Non-current borrowings	14	2 477 043	2 473 381
Total liabilities		4 297 369	48 597 466
Net assets		651 106 004	29 538 299
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		651 106 004	29 538 298
Total net assets		651 106 004	29 538 298

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: MH Robertson

30 October 2012

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-21
Notes to the Annual Financial Statements	22-37
Appendix A: Schedule of External Loans	38
Appendix B: Analysis of Property, Plant and Equipment	39
Appendix C: Segment Analysis of Property, Plant and Equipment	41
Appendix C: Segmental Statement of Financial Performance	42

DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2012

	Note	2012	2011
Revenue			
Property rates	15	13 540 648	5 932 275
Property rates - penalties imposed and collection charges	15	-	-
Service charges	16	30 809 036	30 034 135
Rental of facilities and equipment	17	159 029	290 317
Interest earned - external investments	18	718 490	-
Interest earned - outstanding receivables	19	8 318 573	8 739 649
Fines	20	92 962	935
Licences and permits	20	32 202	287 554
Government grants and subsidies	20	63 974 021	48 435 000
Other income	21	617 553	86 863
Total revenue		118 262 514	93 806 728
Expenses			
Employee related costs	22	23 211 448	22 176 913
Remuneration of councillors	23	1 912 341	2 585 315
Bad debts	28	1 125 698	11 937 957
Depreciation and amortisation expense	24	16 553 489	-
Repairs and maintenance	28	2 313 330	2 075 253
Finance costs	25	87 871	133 276
Bulk purchases	26	23 477 636	14 654 839
Contracted services	27	5 307 894	2 366 320
General expenses	28	16 318 908	8 339 111
Total expenses		90 308 615	64 268 984
Surplus / (deficit) for the period		27 953 899	29 537 744

DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

Note	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June 2010	-		-	-	-
Restated balance	-	-	-	-	-
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				29 537 744	29 537 744
Balance at 30 June 2011	-	-	-	29 537 744	29 537 744
Surplus / (deficit) on revaluation of property of property, plant and equipment				506 415 733	506 415 733
Fair value gains, net of tax: Land and Building				87 198 628	87 198 628
Net gains and losses not recognised in the statement of financial performance					-
Surplus / (deficit) for the period				27 953 899	27 953 899
Balance at 30 June 2012	-	-	-	651 106 004	651 106 004

DIKGATLONG LOCAL MUNICIPALITY

CASH FLOW STATEMENT

as at 30 June 2012

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		718 490	-
Taxation			
Interest received		718 490	
Other receipts			
Payments		(37 533 807)	31 604 006
Employee costs			
Suppliers		47 967 752	
Finance costs		-	(133 276)
Other payments		(85 501 559)	31 737 282
Net cash flows from operating activities	29	(36 815 317)	31 604 006
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(23 087 278)	
Repayment of loans		3 662	
Purchase of other assets		(17 202 927)	(29 242 251)
Other cash items		78 302 578	
Net cash flows from investing activities		38 016 035	(29 242 251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other liabilities		(50 123)	50 123
Movement in Long-term Liabilities		-	2 473 381
Finance Lease payments		(87 871)	
Net cash flows from financing activities		(137 994)	2 523 504
Net increase / (decrease) in net cash and cash equivalents		1 062 724	4 885 259
Net cash and cash equivalents at beginning of period	1	4 885 259	-
Net cash and cash equivalents at end of period	30	5 947 983	4 885 259

DIKGATLONG LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET 1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of Cash - generating Assets - issued March 2009

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 25 Employee Benefits - issued December 2009
GRAP 103 Heritage Assets - issued July 2008
IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	30	Buildings	30
Electricity mains	40 - 85	Specialist vehicles	10
Reservoirs - Water	30	Other vehicles	5
Sewerage purification	20	Office equipment	3 - 7
Water Meters	20	Furniture and fittings	7 - 10
		Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	10 - 15
Recreational Facilities	20 - 30	Other items of plant and equipment	2 - 5
Security	5	Landfill sites	15
Halls	30	Work in Progress	No depreciation
Libraries	30	Land	No depreciation
Parks and gardens	20 - 30	Computer equipment	3
Other assets	3 - 20		
Heritage assets			
Buildings	30		
Finance lease assets			
Office equipment	3 - 7		
Other assets	3 - 20		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30
---------------------	----

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at primary bank		5 947 983	4 885 259
		<u>5 947 983</u>	<u>4 885 259</u>
The Municipality has the following primary bank account: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank Limited - Barkly Branch: Account Number 62022642468			
Cash book balance at beginning of year		4 885 259	(7 486 564)
Cash book balance at end of year		<u>5 947 983</u>	<u>4 885 259</u>
Bank statement balance at beginning of year		4 885 259	(7 486 564)
Bank statement balance at end of year		<u>5 947 983</u>	<u>4 885 259</u>

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
TRADE AND OTHER RECEIVABLES FROM EXCHANGE			
2 TRANSACTIONS			
Trade receivables			
as at 30 June 2012			
Service debtors			
Rates	16 441 319	-	16 441 319
Electricity	9 494 574	-	9 494 574
Water	30 188 599	-	30 188 599
Sewerage	4 688 323	-	4 688 323
Refuse	13 737 275	-	13 737 275
Other	1 177 578	-	1 177 578
Total	75 727 668	-	75 727 668
as at 30 June 2011			
Service debtors			
Rates	9 421 435	3 768 574	5 652 861
Electricity	9 029 510	3 611 804	5 417 706
Water	17 214 675	7 746 604	9 468 071
Sewerage	2 947 676	1 238 024	1 709 652
Refuse	8 688 726	3 736 152	4 952 574
Miscellaneous	11 403 810	4 903 638	6 500 172
Amounts received in advanced	(1 005 424)	-	(1 005 424)
Interest in Debtors	13 222 995	2 035 746	11 187 249
Total	70 923 403	27 040 542	43 882 861
Other receivables			
Other receivables			
Rates: Ageing			
Current (0 – 30 days)		102 242	1 198
31 - 60 Days		132 799	1 132 006
61 - 90 Days		84 574	1 021 284
91 - 120 Days		39 365	969 566
121 - 365 Days		16 082 340	-
Total		16 441 319	3 124 054
Electricity, Water and Sewerage: Ageing			
Current (0 – 30 days)		1 109 715	214
31 - 60 Days		1 000 877	1 068 844
61 - 90 Days		1 198 531	772 905
91 - 120 Days		1 102 558	537 286
121 - 365 Days		39 959 814	-
Total		44 371 496	2 379 249
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
as at 30 June 2012			
Current (0 – 30 days)	1 504 801	758 520	1 456 634
31 - 60 Days	1 204 333	360 645	1 374 774
61 - 90 Days	1 204 820	376 167	1 269 215
91 - 120 Days	36 875 140	6 770 611	22 572 008
121 - 365 Days			
+ 365 Days			
Sub-total	40 789 094	8 265 943	26 672 631
Less: Provision for doubtful debts			

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
Total debtors by customer classification	40 789 094	8 265 943	26 672 631
as at 30 June 2011			
Current (0 – 30 days)	3 270	3 633	1 185 346
31 - 60 Days	2 262 085	651 242	1 068 026
61 - 90 Days	2 251 099	524 542	4 308 700
91 - 120 Days	51 018 309	7 647 152	
121 - 365 Days			
+ 365 Days			
Sub-total	55 534 763	8 826 569	6 562 072
Less: Provision for doubtful debts	27 040 543		
Total debtors by customer classification	28 494 220	8 826 569	6 562 072

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note	2012	2011
------	------	------

2 Reconciliation of the doubtful debt provision

	2012	2011
Balance at beginning of the year	27 040 542	7 623 503
Contributions to provision	-	11 937 957
Doubtful debts written off against provision	(27 040 542)	7 479 082
Reversal of provision	-	-
Balance at end of year	-	27 040 542

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all balances outstanding based on the payment ratio over 12 months per service type. The ageing of amounts past due but not impaired is as follows:

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Dog tax	-	96
Plots sold	-	81 860
Rent Income	149 951	140 427
Total Other Debtors	149 951	222 383

5 INVESTMENTS

Financial Instruments

First National Bank Limited - Barkly Branch: Account Number 74044313240	114 011	112 038
First National Bank Limited - Barkly Branch: Account Number 71045321107	3 168	3 058
First National Bank Limited - Barkly Branch: Account Number 62005171533	1 187 517	-
First National Bank Limited - Barkly Branch: Account Number 62256156318	17 406 588	45 486
First National Bank Limited - Barkly Branch: Account Number 62279967643	25 117 171	26 334 752
First National Bank Limited - Barkly Branch: Account Number 62287817393	1 964 300	2 729 244
First National Bank Limited - Barkly Branch: Account Number 62345563911	634 326	
Standard Bank Limited - Barkly Branch: Account Number 146018273	18 097	17 673
	46 445 178	29 242 251

Investment with a maturity period of less than 3 months earn interest rates varying from 1.6% to 6.65% per annum.

Pledged Investments

A fixed deposit amounting to R125 000 has been invested with First National Bank as security for the Electricity from Eskom.

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
7.1 Reconciliation of Carrying Value								
as at 1 July 2011	74 122 747	19 364 345	423 969 109	-	-	4 466 420	-	521 922 621
Cost/Revaluation	74 122 747	26 130 960	592 918 269	-	-	6 677 421	-	699 849 396
Accumulated depreciation and impairment losses	-	6 766 615	168 949 160	-	-	2 211 001	-	177 926 776
Acquisitions	-	868 411	3 115 855	-	-	1 992 756	-	5 977 021
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	1 081 281	14 359 475	-	-	1 099 796	-	16 540 552
Carrying value of disposals	-	-	10 432 836	-	-	-	-	10 432 836
Cost/Revaluation	-	-	10 432 836	-	-	-	-	10 432 836
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
as at 30 June 2012	74 122 747	19 151 474	423 158 324	-	-	5 359 380	-	521 791 925
Cost/Revaluation	74 122 747	26 999 371	606 466 959	-	-	8 670 176	-	716 259 253
Accumulated depreciation and impairment losses	-	7 847 896	183 308 635	-	-	3 310 797	-	194 467 328

Refer to Appendix B for more detail on property, plant and equipment

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
8 INTANGIBLE ASSETS		
	Computer Software	Other
Reconciliation of carrying value as at 1 July 2011		Total
Cost	-	-
Accumulated amortisation and impairment losses	-	-
as at 1 July 2012	53 093	53 093
Cost	66 030	66 030
Accumulated amortisation and impairment losses	12 937	12 937

9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	1 820 326	254 997
DWAF	-	11 664 707
Sedibeng Water	-	8 801 272
Vaalharts Water	-	5 557 813
Creditors with debit balances	-	(777 649)
Sundry Creditors	-	5 074 873
VAT Input	-	125 394
Auditor General	-	1 509 488
Department of Labour	-	999 740
Total creditors	1 820 326	33 210 635

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Electricity	-	-
Water	-	54 135
Town Hall	-	(4 012)
Total consumer deposits	-	50 123

11 VAT RECEIVABLE

VAT receivable	5 287 575	125 394
----------------	-----------	---------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 PROVISIONS

Provision for leave	-	888 491
Total Provisions	-	888 491

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Unspent Conditional Grants from other spheres of Government

MSIG	-	1 100 925
FMG	-	22 180
Provincial Grants	-	(429 845)
Other Unspent Grants	-	978 793
FBDM	-	718 426
EPWP	-	260 367
Municipal Infrastructure Grants	-	10 356 465
Rooikoppies Community Hall	-	22 000
Total Unspent Conditional Grants and Receipts	-	13 029 311

**DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012**

2012

2011

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
14 BORROWINGS		
Government Loans : DBSA	2 473 381	1 915 374
Other borrowings	3 662	-
	2 477 043	1 915 374
Less : Current portion transferred to current liabilities	-	558 007
Government Loans : DBSA	-	558 007
Total borrowings	2 477 043	2 473 381

Refer to Appendix A for more detail on borrowings.

15 PROPERTY RATES

Actual

Residential	1 592 425	5 932 275
Commercial	12 441 249	-
Agricultural	44 076	-
Industrial	26 443	-
State	97 055	-
Total property rates	14 201 248	5 932 275
Property rates - penalties imposed and collection charges	(660 600)	-
Total	13 540 648	5 932 275

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of R1.15 (2012) is applied to property valuations to determine assessment rates. Rebates of 5% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 June 2011 (2010: 30 June). Interest at 5% per annum (2011:5%) is levied on outstanding rates as well as 5% (2011: 5%) collection charge two months after final date of pay

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
16 SERVICE CHARGES		
Sale of electricity	14 138 403	10 519 793
Sale of water	10 198 520	11 407 230
Refuse removal	4 706 841	5 544 275
Sewerage and sanitation charges	1 765 272	2 562 837
Total Service Charges	30 809 036	30 034 135
17 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of equipment	159 029	290 317
Total rentals	159 029	290 317
18 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	718 490	-
Total interest	718 490	-
19 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Other Debtors	8 318 573	8 739 649
Total interest	8 318 573	8 739 649
20 GOVERNMENT GRANTS AND SUBSIDIES		
National: Equitable share	40 046 000	33 629 000
National: MIG Grant	21 118 000	1 200 000
National: MSIG	790 000	750 000
National: FMG	1 450 000	849 000
National: Sports and Arts	516 302	815 000
Other Grants	53 719	11 192 000
Total Government Grant and Subsidies	63 974 021	48 435 000
20.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy, which is funded from the grant.	40 046 000	33 629 000
20.2 MIG Grant		
Balance unspent at beginning of year		14 336 000
Current year receipts	21 118 000	3 979 535
Conditions met - transferred to revenue	(21 118 000)	(923 095)
Conditions still to be met - remain liabilities (see note 21)	-	17 392 440
<i>The grant was used for various projects. No funds were withheld</i>		
20.3 Library Grant		
Balance unspent at beginning of year		-
Current year receipts	516 302	815 000
Conditions met - transferred to revenue	(516 302)	(815 000)
Conditions still to be met - remain liabilities (see note 21)	-	-
<i>The grant was used for various projects. No funds were withheld</i>		

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
20.4 National: FMG Grant		
Balance unspent at beginning of year		-
Current year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 200 000)
Conditions still to be met - remain liabilities (see note 21)	<u>-</u>	<u>-</u>

The grant was used for various projects. No funds were withheld

20.5 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
21 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
21.1 Other income		
Building Plans	-	23 402
Burial Fees	-	33 575
Caravan Park	-	1 100
Clearance Certificate	-	6 390
Lost Book Library	-	186
Photocopies	-	18 767
Selling of Sand	-	2 975
Selling of Erven	-	467
Sundry Income	617 553	467
Total of Other Income	617 553	87 329

21.2 FINES

Fines	92 962	-
	92 962	-

21.3 LICENCES AND PERMITS

Licences and Permits	32 202	-
	32 202	-

The amounts disclosed above for the Other Income are in respect of services.

22 EMPLOYEE RELATED COSTS

Basic	13 969 786	15 387 895
Bonus	939 936	959 786
Medical aid and pension	1 450 404	1 338 641
UIF	148 496	130 099
WCA	2 162 805	-
SDL	69 229	3 600
Industrial Council Levy	41 181	6 557
Leave pay provision charge	33 606	32 848
Other short term costs	-	(34 484)
Pension Contribution	2 194 237	2 066 739
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	283 233	723 504
Overtime payments	1 458 840	1 169 568
Acting Allowances	168 170	83 919
Housing benefits and allowances	94 797	103 567
Telephone Allowances	73 957	47 785
Allowances - Other	7 395	11 325
Allowances - Night Shift	33 220	85 100
Allowances - Standby	82 156	60 464
Total Employee Related Costs	23 211 448	22 176 913

There were no advances to employees / Loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	212 499	-
Performance- and other bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	212 499	-

Remuneration of the Chief Finance Officer

Annual Remuneration	672 000	426 000
Contributions to UIF, Medical and Pension Funds	-	-

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
Total	<u>672 000</u>	<u>426 000</u>

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
23 REMUNERATION OF COUNCILLORS		
Executive Mayor: Basic	572 948	215 534
UIF, Pension and Medical	-	1 432
Cellphone Allowance	-	1 708
Day Allowance	-	290
Travelling	75 029	71 845
Councillors: Allowances	291 020	237 482
Pension and Medical	-	33 058
Cellphone Allowance	38 802	10 250
Travelling	1 729	536 098
Basic	932 813	1 473 756
UIF	-	3 861
Total Councillors' Remuneration	1 912 341	2 585 315

In-kind Benefits

The Executive Mayor is a full-time Mayor. He is provided with an office and secretarial support at the cost of the Council.

24 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	16 540 552	-
Intangible assets	12 937	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	16 553 489	-

25 FINANCE COSTS

Borrowings	-	133 276
Finance Leases	87 871	-
Total Finance Costs	87 871	133 276

26 BULK PURCHASES

Electricity	19 103 652	12 507 281
Water	4 373 984	2 147 558
Total Bulk Purchases	23 477 636	14 654 839

27 CONTRACTED SERVICES

Contracted services for:	5 307 894	2 366 320
	5 307 894	2 366 320

Contracted service includes, Security services, IT, etc

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
28 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	153 620	41 608
Audit fees	2 155 603	455 363
Bank charges	263 168	147 813
Cleaning	-	281 186
Conferences and delegations	46 668	40 015
Council and Other Meetings	89 464	95 757
Commission Paid	103 764	-
Consumables	398 211	103 117
Computer Expenses	480 628	-
EPWP Expenditure	1 606 929	-
Fuel and oil	1 215 085	406 033
Insurance	416 786	411 750
Indigent Subsidies Paid	-	1 273 375
Licence fees - vehicles	-	3 348
Mayoral Office - Special Projects	299 052	-
Mayoral Office - Special Programs	-	90 346
Motor Vehicle Expenses	(190 299)	42 019
Purification Works: Chemicals	454 578	320 872
Postage	75 845	-
Printing and stationery	256 836	94 676
Protective Clothing	195 419	57 250
Pauper Funerals	49 466	-
Rental of Equipment	2 250 821	1 729 386
Office Requirements: Inventory	-	351
Security costs	2 370 852	53 612
Sports Development	-	78 296
Town Planning	-	4 586
Subscription & publication	996	141 858
Telephone cost	635 854	1 118 429
Training	242 875	191 756
Travel Expenses: Accommodation	-	201 742
Travel and subsistence	1 795 709	78 946
Indigent Support	128 587	-
Ward Committee Expenses	758 990	-
Other Expenses	63 401	875 621
	16 318 908	8 339 111

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
29 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	27 953 899	29 538 298
Adjustment for:-		
Depreciation and amortisation	16 553 489	-
Finance costs	87 871	-
Debt Impairment	1 125 698	11 937 957
Movements in Provisions	(888 491)	888 491
Interest earned	-	-
Operating surplus before working capital changes:	44 832 466	42 364 746
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(75 727 668)	-
(Increase)/decrease in other receivables	(149 951)	-
Increase/(decrease) in trade payables	(11 154 251)	12 974 577
Increase/(decrease) in consumer deposits	42 757 162	(55 820 817)
Increase/(decrease) in VAT payable	(5 162 181)	(125 394)
Unspent Condition Grants and Receipts	(32 210 894)	32 210 894
Other liability	-	-
Cash generated by/(utilised in) operations	(36 815 317)	31 604 006

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Cash on hand	74 120	-
Bank balances	-	4 885 259
Other Cash and Cash equivalent	5 873 863	-
Net cash and cash equivalents (net of bank overdrafts)	5 947 983	4 885 259

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
31 MANAGEMENT ACT		
31.1 Audit fees		
Opening balance		
Current year audit fee	2 155 603	2 366 320
Amount paid - current year	(2 155 603)	(2 366 320)
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

The balance unpaid represents the audit fee for an audit conducted.

31.2 VAT

VAT input receivables and VAT output payables are shown in note 18.

31.3 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2012

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Mogongwa MW	17 596	410	17 187
Kleinjan ME	5 869	174	5 695
Riet OG	11 876	300	11 576
Rifles KG	895	59	836
Mweninjawa	1 293	300	993
Motsamai DJ	11 436	383	11 052
Total Councillor Arrear Consumer Accounts	<u>48 966</u>	<u>1 626</u>	<u>47 339</u>

as at 30 June 2011

Jammer PN	1 809	1 809	-
Thethela KE	8 017	213	7 804
Riet MS	10 871	272	10 599
Witkoei F	6 761	1 408	5 353
Rifles GM	2 035	9	2 026
Olifant V	2 296	239	2 056
Mogongwa MW	18 596	1 036	17 560
Stephens V	19 653	1 741	17 912
Madiata-Uhumbua LA	70 302	2 147	68 155
Papers CA	2 826	319	2 507
Bosman TI	1 331	129	1 202
Total Councillor Arrear Consumer Accounts	<u>144 496</u>	<u>9 322</u>	<u>135 174</u>

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding	Ageing Days
as at 30 June 2012		
Mogongwa MW	17 596	90 days
Riet OG	11 876	90 days
Motsamai GJ	11 436	90 days
as at 30 June 2011		
Madiata-Uhumbua LA	70 302	150 days
Stephens V	19 653	150 days

Non-Compliance with Chapter 11 of the Municipal Finance

31.5 Management Act

**DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012**

	2012	2011
The Municipality has a supply chain management policy in place.		

**DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

2012

2011

32 RETIREMENT BENEFIT INFORMATION

32.1 Defined contribution plan

The following are defined contribution plans: These contributions have been expensed.

32.2 Defined benefit plan

These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the SAWMU Fund, a multi-employer plan / state plan. No actuarial valuation was done as at 30 June 2012.

Contribution by Council is 18% in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

33 CONTINGENT LIABILITY

There are litigation against the Municipality due to damages arising from filling of vacant positions. Council is contesting the claim based on legal advice. The contingent liability includes legal costs of R200 000. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R4 500 000

Several officials are disputing the assessment process regarding their Job Evaluation. Provision has been made for the payment of the Evaluation as assessed by the SALGA.

34 CONTINGENT ASSET

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50.2, civil proceedings have commenced against the employees concerned to recover the amount. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Consumables from Frances Baard District Municipality

40 EVENTS AFTER THE REPORTING DATE

The Frances Baard District Municipality has agreed in principle to transfer properties and some of its assets in Koopmansfontein to Dikgatlong Municipality. This will also include the transfer of electricity and water connectivity. The date of transfer is proposed for has not yet been finalised. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be.

**DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

	2012	2011
41 RISK MANAGEMENT		
41.1 Maximum credit risk exposure		

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

DIKGATLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012

2011

41.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

41.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

							Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012		
LONG-TERM LOANS								
DBSA Loan @ 5%	61000546	31-08-2027	1 915 374			1 915 374		
Total long-term loans								
Terms of Agreements								
1. Upgrading of Electricity Network No. 1	Loan amount is R138, 366 and is payable in six monthly instalments. Debtors to the value of R600,000 are ceded to the DBSA							
2. Upgrading of Electricity Network No. 2	Loan amount is R1,180,517 and is payable in monthly instalments							
3. Upgrading of Vehicle Fleet	Loan amount is R2,004,000 and is payable in monthly instalments							
4. Interest Rate on Loans	Capital shall bear interest on the outstanding amount at a nominal fixed rate of 5% annually							

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
Land													
Land	74 122 747	-	-		74 122 747				-	-	-	-	74 122 747
	74 122 747	-	-	-	74 122 747	-	-	-	-	-	-	-	74 122 747
Buildings													
	26 130 960	868 411	-	-	26 999 371	6 766 615	1 081 281	-	-	7 847 896	-	-	19 151 474
Infrastructure													
Roads	391 864 160	-	10 432 836	-	402 296 996	125 084 903	9 026 811	-	-	134 111 715	-	-	268 185 282
Sewerage Mains & Purification	51 256 217	-	-	-	51 256 217	15 730 546	1 482 132	-	-	17 212 678	-	-	34 043 539
Electricity Networks	34 852 017	1 282 021	-	-	36 134 038	8 237 317	821 224	-	-	9 058 541	-	-	27 075 497
Water Networks	114 945 875	1 833 833	-	-	116 779 708	19 896 393	3 029 308	-	-	22 925 701	-	-	93 854 007
	592 918 269	3 115 855	10 432 836	-	606 466 959	168 949 160	14 359 475	-	-	183 308 635	-	-	423 158 324

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
Other Assets													
Office Equipment	2 232 409	163 146	-	-	2 395 555	676 618	522 288	-	-	1 198 906	-	-	1 196 649
Furniture & Fittings	1 904 146	213 498	-	-	2 117 644	748 675	302 314	-	-	1 050 989	-	-	1 066 655
Emergency Equipment	40 914	-	-	-	40 914	18 585	7 365	-	-	25 950	-	-	14 964
Motor vehicles	1 454 150	1 610 104	-	-	3 064 254	358 054	122 655	-	-	480 710	-	-	2 583 545
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	1 045 802	6 007	-	-	1 051 809	409 068	145 175	-	-	554 243	-	-	497 567
	6 677 421	1 992 756	-	-	8 670 176	2 211 001	1 099 796	-	-	3 310 797	-	-	5 359 380
Total	699 849 396	5 977 021	10 432 836	-	716 259 253	177 926 776	16 540 552	-	-	194 467 328	-	-	521 791 925

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	508 948	345 470			854 418	150 130	100 324		250 454	603 964
Municipal Manager	91 384	18 066			109 450	29 620	18 270		47 890	61 560
Corporate Services	655 950	244 875			900 825	211 393	344 852		556 245	555 973
Finance Services	3 101 332	167 146			3 268 478	1 033 602	565 194		1 598 796	1 669 682
Technical Department	695 491 782	5 201 464	10 432 836		711 126 082	176 502 030	15 723 306		192 225 336	518 900 746
Other										
Total	699 849 396	5 977 021	10 432 836	-	716 259 253	177 926 775	16 751 946	-	194 678 721	521 791 925

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

2011	2011	2011		2012	2012	2012
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
64 045 879	18 252 879	45 791 327	Executive & Council	65 251 541	45 152 427	20 097 441
	3 606 103	(3 606 103)	Office of the Municipal Manage	8 080 802	3 606 103	4 474 699
18 953	3 753 930	(3 734 977)	Corporate Service	652 541	3 753 930	(3 101 389)
3 050 115	7 753 264	(4 703 149)	Financial Services	7 725 115	6 895 017	830 098
26 692 335	30 901 135	(4 208 800)	Technical Services	36 552 514	30 901 135	5 651 379
93 807 282	64 267 311	29 538 298		118 262 513	90 308 612	27 952 228
			Less: Inter-Department Charges			
93 807 282	64 267 311	29 538 298	Total	118 262 513	90 308 612	27 952 228